

U.S. Department of the Interior Bureau of Land Management

Anchorage Field Office 6881 Elmore Road Anchorage, Alaska 99507 http://www.blm.gov/ak/st/en/fo/ado.html

Administrative Determination and Documentation of NEPA Adequacy Mining Operations, 43 CFR §3809 et seq.

Applicant: XS Platinum, Inc., successor in interest to R. A. Hanson Mining Company, Inc.

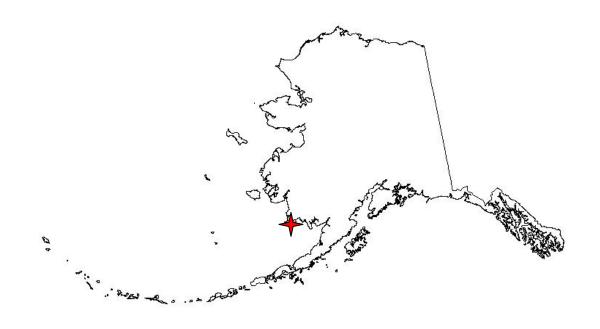
and the Goodnews Bay Mining Company

Case File Nos.: AKAA 032117, AKAA 032118, AKAA 032119, AKAA 032120,

AKAA 032194, AKAA 032227, AKAA 032256, AKAA 032259, AKAA 032260, AKAA 032262, AKAA 032263, AKAA 032264,

AKAA 032266, AKAA 032267.

Environmental Document No.: AK-010-08-DNA-025



Location:

Seward Meridian

T. 14 S., R. 75 W., Sections 26, 35 and 36 Within the former Goodnews Mining Claims and Camp

Prepared By:

James F. Moore Planning and NEPA Coordinator April 9, 2008

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A. **BLM Office:** Anchorage Field Office

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Proposed Action: XS Platinum, Inc., the successor in interest to R. A. Hanson Mining Company, Inc. and the Goodnews Bay Mining Company proposes to re-vitalize mining plans of operation approved by the Bureau of Land Management on January 27, 1994 and April 18, 2001 with the distinction that instead of employing a floating bucket-line dredge to extract and process ore, the company proposes to use conventional earth moving equipment to extract the ore and a land based screen and jig processing plant to process it, *see* Attachment 1, 2008 Annual Placer Mining Application, dated January 30, 2008, #A085585; and its March 26, 2008 amendment. In addition, XS Platinum, Inc. proposes to decommission and dry-dock the floating dredge that has been located on the mining claims since 1937 and to extend the airstrip 300 to 500 feet by grading current tailings.

See Alaska Annual Placer Mining Application #A085585 dated January 30, 2008 and its March 26, 2008 amendment both of which are attached.

Location of Proposed Action: Seward Meridian, T. 14 S., R. 75 W., Sections 26, 35 and 36.

Description of the Proposed Action:

Mining for 2008 is proposed on the following claims:

Claim Number	Claim Name	MTRS
AA 032117	DIS ON SALMON RIVER	S 14S 75W 36 NW
AA 032118	1 ABV DIS ON SALMON RIVER	S 14S 75W 36 W2
AA 032119	1 ABV DIS 1ST TIER R L	S 14S 75W 36 NW
AA 032120	#2 ABOVE DISCOVERY ON SALMON	S 14S 75W 36 NW
AA 032194	ETHEL FRACTION	S 14S 75W 36 N2
AA 032227	SLIVER FRACTION	S 14S 75W 36 W2
AA 032256	#3 BELOW DISCOVERY (PLATINUM)	S 14S 75W 35 NE
AA 032259	#5 BELOW DISCOVERY (PLATINUM)	S 14S 75W 36 NW
AA 032260	#5 BELOW DISCOV, LT LIMIT BENC	S 14S 75W 36 NW
AA 032262	#1 BELOW DISCOVERY (SQUIRREL)	S 14S 75W 26 SE
AA 032263	#2 BELOW DISCOVERY (SQUIRREL)	S 14S 75W 26 SE
AA 032264	#3 BELOW DISCOVERY (SQUIRREL)	S 14S 75W 35 NE
AA 032266	#3 BENCH CLAIM ON LEFT LIMIT	S 14S 75W 35 NE
AA 032267	FRACTION LOWER END #2 BLW DISC	S 14S 75W 35 NE

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AKAA 032266, AKAA 032267.

Mining will be accomplished with the following new equipment to be transported to the Mine in April or May 2008.

Quantity	Equipment Type	Description
1	John Deere 1050J	Dozer 350 HP
1	D9	Dozer 450 HP
1	D8	Dozer 350 HP
2	HL 780-7A 7	Yard Loader
1	210 LC-7A	Excavator
1	RC-60	Skid Steer
1	700 Hitachi	Excavator
1	966 Cat	Loader
1	International	Scraper
1	Screen Plant 8' x 20'	Two Deck Wet System
10	60' by 36" electric motor conveyors with feed hopper	

Initial activities will focus on preparing the Dredge for dry-docking. Prior to dry-docking, XS Platinum will remove all non-fixed containers containing hydrocarbons or other machinery fluids to minimize risk. Dry-docking will occur by first excavating an upland dry-dock location. This area will be excavated to a depth that will allow the Dredge to clear the excavation area bottom at the approximate current surface water elevation of the Dredge Pond. A native soil berm will be maintained between the Dredge Pond and the excavation during construction, and the excavation will be flooded once excavation activities are complete. XS Platinum will subsequently float the dredge to the proposed dry-dock location by towing or winching using heavy equipment. If required, the water level in the current Dredge Pond will be elevated by pumping water from nearby isolated tailings ponds into the current dredge pond as may be required to enhance movement of the Dredge to this location. If these actions indicate that this plan is unworkable, XS Platinum plans to try and float the Dredge to its intended dry-dock location and, following proper positioning of the Dredge, drain the pond used to float the dredge. After dry-docking, additional process oil or other liquids that, if released, would constitute a threat to human health or the environment will be systematically removed from the Dredge during the 2008 and following mining seasons.

The 2008 mining operations will be based upon excavation of tailings and processing the tailings via a wet screen and jig concentration process. The maximum total surface area that will be re-disturbed during the mining operations is estimated at 26 acres and varies in width from about 500 to 850 ft. This mining area is situated on the west side of the Salmon River and no activities will be conducted within nor will they impact the current stream channel. Additionally, no redirection or diversion of any existing stream will occur.

The proposed areas of mining tailing excavation and processing are situated south of the confluence of Medicine Creek and the Salmon River. The screen and jig plant will be positioned at the southern end of this excavation area and the loaders and excavators will be

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AKAA 032266, AKAA 032267.

used to excavate and load soils into the process feed hopper from which 3 ft by 60 ft sectional conveyors will be used to load tailings into the top of the 2-level screen plant at an estimated maximum rate of 600 ton/hr. Excavation depths will vary with thickness of the tailings, but are expected to range from 10 to 30 feet or until bedrock is encountered. Excavation will cease at bedrock limits or as limited by the ability to dewater the excavation. As the face of the excavation progresses northward, the screen and jig plant will be moved northerly with the excavation face.

At the southern side of the screen plant rejected ¼-inch plus materials will be discharged via a chute and stockpiled adjacent to the screen. A radial stacker and conveyor will be available to help distribute the tailings for final reclamation and recontouring. A D8 and D9 dozer will move the tailings to shape and match site contours and reclaim the mined area to elevations consistent with the alluvial stream plain. The reclamation and recontouring activities will be conducted concurrent with mining such that no more than 5 acres of the proposed area is disturbed at any one time.

The Screen Plant consists of a mechanical shaking wet screen system with a 1-inch initial screen followed by a ¼-inch secondary screen. Wet screen water requirements are approximately 800 gallons per minute (gpm) as supplied by an 8-inch diameter high density polyethylene (HDPE) pipe from a pump set at the water source and settling pond situated in claims AA - 032259 and AA - 032260. One of the ponds will be used while the other will remain available as a backup settling pond and water source. The ¼-inch minus materials will be collected at the bottom of the screen plant and pumped to the upper level of the jig plant. The ¼-inch minus slurry will be directed to 16 separate quadraplex jig cells via a rotating distributor and finally to 22-inch clean up jigs in the last stage. A 400 gpm hutch water supply feeds water to the jig plant hutch and the platinum group concentrate is sorted into a 1 cubic yard transport hopper. The jig plant is manufactured by International Resource Development Inc.

The 1 cubic yard hopper of concentrate will be transported to the Mine Camp for table cleanup and further beneficiation. No chemicals will be used in any of the mining or concentration activities with the possible exception of the use of an agency-approved flocculent in the primary settling pond if required.

The Jig process water and ¼-inch minus tailings exit the lower end of the jig plant and will be conveyed by 8-inch diameter HDPE pipe to the primary settling pond established in the mining excavation area. This excavation will be used to provide primary clarification of the process water and settle the majority of the ¼-inch minus mine tailings solids. The primary settling pond will be relocated as the screen and jig plants are moved northward following the mine tailings excavation face. As the site reclamation occurs simultaneous with this processing, ¼-inch minus screen tailings that settle in the excavation will be periodically dozed or pumped out of the primary settling area and stockpiled for incorporation into the upper 6 inches of surficial material to enhance revegetation efforts. Site grading or

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AKAA 032194, AKAA 032227, AKAA 032256, AKAA 032259,

AKAA 032260, AKAA 032262, AKAA 032263, AKAA 032264,

AKAA 032266, AKAA 032267.

stormwater best management practices will be maintained to prevent these finer materials from mobilization out of the mining area into nearby surface waters. After primary settling, the process water will be returned by pumping to the water source pond for final settling. Process water is 100% recycled and will remain impounded until infiltrated into groundwater for eventual discharge to the Salmon River.

As the mining excavation proceeds northward the southern end of the excavation will be progressively filled with the ¼-inch plus tailings and the ¼-inch minus tailings will be mixed into the upper 6 inches of reclaimed area surface to provide fine-grained material required for retaining soil moisture and rooting native vegetation.

The mining process will use an estimated maximum of 1,200 gpm of water from the water sources in Claims AA - 032259 and AA - 032260. The source water area will consist of two (2) previously mined tailings ponds and water will initially be drawn from either the pond in the northwest corner of claim AA - 032259 or from the pond in the northwest quarter of claim AA - 032260, just northwest of the existing road. The pond in Claim AA – 032259 may currently have a hydraulic connection to Platinum Creek, which would be dammed prior to use as a settling pond.

Approximately 800 gpm of this water will be directed to the screen plant and the balance of 400 gpm will be directed to the hutch on the jig plant. The mining water will be 100% recycle with an estimated 100 gpm of makeup water required. Exact makeup water requirements will be determined once mining operations begin and will be dictated by evaporation and infiltration rates from the settling ponds. The additional makeup water will be drawn from the large pond on the northern boundary of claim AA - 032259, formerly used as the Powerhouse cooling pond. This pond measures approximately 300 ft by 125 ft. Makeup water will be drawn from the ponds utilizing a screened intake of 0.08 inches. The intake areas of the pond will be bermed off from the main area of the pond using coarse tailings. This will allow a relatively quiescent area in the main pond for settling and prevent suspended sediments from being sucked into the process water intake.

These existing tailings ponds receive water from precipitation, infiltration of surface water, and infiltration of groundwater through tailings from Platinum Creek and the Salmon River. These ponds do not have a direct surface connection to Squirrel Creek, Platinum Creek or the Salmon River. Platinum Creek's surficial channel goes dry and water transitions to subsurface flow as it infiltrates into and through mine tailings prior to discharge into the Salmon River. The natural filtering capacity of the intervening tailings should prevent any significant surface water quality impacts from affecting water downgradient of the mining and source water locations. As the process water exits the jig plant it will be directed through 8-inch HDPE into a localized primary settling pond situated in the mine excavation area. The primary settling pond is expected to measure approximately 100 ft by 300 ft and will be approximately 3 ft deep. This pond will provide a relatively quiescent environment to drop out the ½-inch minus materials as well as remove a significant amount of the settlable

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AKAA 032194, AKAA 032227, AKAA 032256, AKAA 032259,

AKAA 032260, AKAA 032262, AKAA 032263, AKAA 032264,

AKAA 032266, AKAA 032267.

solids. Weirs or infiltration berms will be constructed within this area to maximize detention and solids removal before this water, along with any water produced from excavation dewatering, is pumped back to the water source and final settling pond.

The final settling ponds, measure approximately 100 ft by 70 ft and 220 ft by 70 ft, respectively, and are approximately 4 to 6 ft deep. One of the ponds will be used for settling while the other pond will be maintained as a backup settling pond in the event that additional settling of process water is required. Additional settling of solids will likely occur at this location before the process supply pump transfers water back to the screen and jig plant thereby completing the closed circuit water usage. If required, flocculants approved by ADEC can be used for enhanced settling in the primary settling pond. Flocculants will be jar tested to determine which flocculants yield the best settling of suspended particles. The solids settled in the primary settling pond will be utilized to mix with ¼-inch plus screened tailings as part of the final site reclamation and revegetation effort.

XS Platinum will monitor for settleable solids, turbidity, arsenic and flow if a discharge from the tailings ponds into the Salmon River or any of its tributaries is observed. This monitoring would be conducted in accordance with the *Authorization to Discharge Under the National Pollutant Discharge Elimination System (NPDES) for Mechanical Placer Mining in Alaska, General Permit No. AKG-37-0000.*

The existing Mine Camp has been in operation since the opening of the mine in the 1930's. Most of these facilities are at least 50 years old. The proposed 2008 mining operations will continue to use the 22 existing framed structures present on site. XS Platinum does not plan to construct any new facilities during the 2008 mining season. XS Platinum is currently estimating that up to 20 employees will be housed at the Mine Camp during the 2008 mining season. XS Platinum intends to evaluate the existing camp structures during the 2008 mining season and demolish buildings in dangerous condition or disrepair. Buildings currently scheduled for demolition during the 2008 mining season include the Old Mess Hall and three additional buildings which are located just southeast of the Old Mess Hall. Information will be collected concerning these buildings' design and dimensions prior to destruction and the information will be supplied to the BLM Cultural Resource Specialist. The buildings which contain non-friable asbestos material will be evaluated prior to demolition and any asbestos debris will be removed prior to demolishing the structure. This asbestos debris will be handled appropriately and segregated from general demolition debris. This debris will most likely be containerized for shipment and off-site disposal.

Active portions of the camp consists of two and four person living quarters, a common mess hall and administrative offices, fuel storage and electric power generation facilities. Other buildings include a large Quonset type mechanical shop known as the 'CAT Shop', parts storage and warehouse structures, and a Laundromat. The potable water system consists of an infiltration gallery located along the west bank of Squirrel Creek just upslope of the Camp. This water system includes a 20-micron primary filtration canister followed by at least one

Case File Nos.: AKAA 032117, AKAA 032118, AKAA 032119, AKAA 032120,

AKAA 032194, AKAA 032227, AKAA 032256, AKAA 032259,

AKAA 032260, AKAA 032262, AKAA 032263, AKAA 032264,

AKAA 032266, AKAA 032267.

series of onemicron NSF-approved water filters. Buried one-inch diameter HDPE water lines convey water to the Mess Hall and administrative offices as well as to a number of the living quarters. The Camp wastewater systems consist of a number of individual facility septic tank and leach field systems that meet State of Alaska criteria relative to separation distances from surface waters.

XS Platinum intends to evaluate and upgrade water system pumping, conveyance and treatment components during the 2008 mining season. These upgrades will include assessment and possible reconfiguration of the infiltration gallery location and construction materials, replacement of existing HDPE water supply lines with piping set in a heated conduit to facilitate extended seasonal operations, and addition or replacement of new filter systems to meet recommended standards of practice for surface water treatment. Any modification of the water supply infiltration gallery will be done without impacting fish passage or habitat in Squirrel Creek. Any intake structures will be constructed with a screened intake of 0.08 inches or less to prevent fry impingement and entrapment.

XS Platinum understands that Hanson Industries had previously attempted to burn as much domestic refuse as possible which was generated during their seasonal mining operations. We also understand that the ash from this practice along with debris has been historically landfilled at a location within the proposed 2008 mining excavation area. As such, XS Platinum anticipates pursuing a separate permit and permissions from ADEC, if required, to excavate and relocate this debris and ash to a new landfill site acceptable to the agencies and in an area that will not likely be subject to mining at a future date. Prior to construction of a new landfill, additional coordination and permitting with ADNR and ADEC will occur.

XS Platinum also proposes extending and regrading the airstrip located at the Platinum Mine. This would allow easier flight access to the mine as well as providing an adequate runway if emergency response flights were needed at the mine. XS Platinum would like to extend the current airstrip by an estimated 300 to 500 feet. This expansion will be in the areas immediately north and south of the current airstrip and construction will be performed on existing tailings and will not impact the Salmon River. Stormwater best management practices will be established by installation of berms or other BMPs to prevent any soil disturbance actions from potentially mobilizing sediments to nearby waters of the US. Based upon our understanding of the low fines content of the tailings and topographic site conditions, this potential is expected to be minimal. This work will not be performed until a grader is on site, most likely in July 2008. Construction of the airstrip extension will consist of using a dozer and grader to smooth and level tailings surfaces adjacent to the current airstrip. The entire airstrip would also be regarded to remove large cobbles from the airstrip surface and smooth the existing surface. The airstrip is located southeast of the Mine Camp.

XS Platinum's policy is to conduct reclamation activities simultaneous with mining and processing operations. The 2008 mining operations will not disturb more than 5 acres of previously mined tailings at any one time. Furthermore, as reject ¹/₄-inch plus materials are

Case File Nos.: AKAA 032117, AKAA 032118, AKAA 032119, AKAA 032120,

AKAA 032194, AKAA 032227, AKAA 032256, AKAA 032259,

AKAA 032260, AKAA 032262, AKAA 032263, AKAA 032264,

AKAA 032266, AKAA 032267.

produced, a 3 ft by 100 ft radial stacker conveyor will be used to distribute the tailings to near their final placement. D9 or D8 CAT dozers will be used to conduct final contouring to match pre-existing terrain features in the manner of an alluvial stream plain. The alluvial plain will be constructed such that it will be wide enough to prevent erosion during high water events and during periods of break-up. Following final contouring and slope stabilization, the tailings surface will be enhanced with incorporation of ¼-inch minus fines. Although the availability of local sources of topsoil has not been explored at this time, incorporation of topsoil materials from other local sources is a future possible reclamation enhancement. Vegetation will be planted and seeded over the final grade contour. Native vegetation will be used and should be such that it will trap seeds and moisture and prevent erosion of the reconstructed area.

XS Platinum understands that bonding remains for several claims that were worked by the prior mine operator and will evaluate steps necessary to conduct reclamation on these claims as well. At this time we are unable to verify but have been verbally informed that some claims that require restoration may occur above the Mine Camp in the Squirrel Creek Drainage.

Hanson Industries, Inc. contracted with Restoration Science and Engineering in 2005 and 2007 to conduct environmental site assessment and corrective actions related to historic hydrocarbon spills identified by BLM and ADEC at the Mine Camp facilities. These actions have resulted in the establishment of a land-farm area which is being used to treat these hydrocarbon contaminated soils to State of Alaska soil cleanup standards.

In addition to these activities, in 2007 RSE sampled a number of transformers and used oils for PCBs and burning specifications and oversaw the completion of an AHERA-certified asbestos and lead based paint survey on the historic site buildings. These and other environmental actions conducted in 2007 are reported in the *Corrective Actions Report*, *Platinum at Goodnews Bay, Alaska, Summer 2007* (RSE, 2008).

Applicant: XS Platinum

B. Conformance with the Land Use Plan and Consistency with Related Subordinate Implementation Plans.

The area to be effected by the proposed action is within the planning boundary of BLM-Alaska's Southwest Management Framework Plan, dated November 1981. The proposed action is consistent with the plan's objective M-2 to provide opportunities for the development of locatable minerals throughout the planning area. The area to be effected is within the Southwest Management Framework Plan's Goodnews Planning Block where placer mining was found to be a compatible use with other resource uses within the Block.

Case File Nos.: AKAA 032117, AKAA 032118, AKAA 032119, AKAA 032120,

AKAA 032194, AKAA 032227, AKAA 032256, AKAA 032259,

AKAA 032260, AKAA 032262, AKAA 032263, AKAA 032264,

AKAA 032266, AKAA 032267.

C. Identify applicable NEPA and other related documents that cover the Proposed Action.

The proposed action was addressed in Environmental Assessment, AK-040-93-013 and its attendant Finding of No Significant Impact, dated January 27, 1994, and again in an Administrative Decision and Documentation of Land Use Plan Conformance and NEPA Adequacy, AK-040-AD01-013, dated May 2, 2001.

D. NEPA Adequacy Criteria

- 1. Is the current Proposed Action substantially the same action (or is a part of that action) as previously analyzed? Is the current Proposed Action located at a site specifically analyzed in an existing document?
 - Yes. The proposed action is essentially the same as those analyzed in 1994 and 2001 with the exception that the new claim owner has elected to decommission the old dredge and utilized land based earth moving equipment to recover the tailings and process them through a land based processing system. The election to utilize land based equipment rather than a floating bucket line dredge and processing plant reduces the level of environmental concern associated with the prior authorizations. Extension of the airstrip runway through tailings by grading the tailings is essentially the same as removing them for processing. The lands involved are the same with the exception of the addition of four claims. Although the land mass involved is somewhat larger, the activity previously analyzed is the same as are the impacts.
- 2. Is the range of alternatives analyzed in the existing NEPA document(s) appropriate with respect to the current Proposed Action, given current environmental concerns, interests, and resource values?
 - Yes. Prior analysis included a "No Action" alternative and an alternative limiting the area of operations. The former was rejected in favor of the claim holder's right to engage in mining operations. The latter was rejected as the plan of operations contained sufficient mitigation and reclamation measures to comply with 43 CFR §3809 et seq.
- 3. Is the existing analysis valid in light of any new information or circumstances (such as rangeland health standard assessments, recent endangered species listings, updated lists of BLM-sensitive species)? Can you reasonably conclude that new information and new circumstances would not substantially change the analysis of the new proposed action?
 - Yes. Moreover, the claim holder has decided to decommission the sixty year old dredge that was on site and engage in land based tailings processing which reduces the level of environmental concern.

Case File Nos.: AKAA 032117, AKAA 032118, AKAA 032119, AKAA 032120,

AKAA 032194, AKAA 032227, AKAA 032256, AKAA 032259,

AKAA 032260, AKAA 032262, AKAA 032263, AKAA 032264,

AKAA 032266, AKAA 032267.

4. Does the methodology and analytical approach used in the existing NEPA document(s) continue to be appropriate for the current Proposed Action?

Yes. Prior analyses were conducted by Natural Resource Specialists focused on surface management under the Federal Mining Law of 1872. Issues addressed included BLM-Alaska's fifteen Critical Elements of the Human Environment as well as Non-critical Elements of the Human Environment including: Hazardous Materials, Topography, soils, hydrology, water quality, visual resources, landcover, wildlife, fisheries, threatened and endangered species, recreation, subsistence, cultural resources and socio-economics.

5. Are the direct and indirect impacts of the current Proposed Action substantially unchanged from those identified in the existing NEPA document(s)? Does the existing NEPA document analyze site-specific impacts related to the current Proposed Action?

Yes. Prior analyses acknowledged that mining operations have been occurring on the claims since the early 1900's with particular emphasis on the reduction of tailing piles and reclamation throughout the workings.

6. Are the cumulative impacts that would result from implementation of the current Proposed Action substantially unchanged from those analyzed in the existing NEPA document(s)?

Yes with an emphasis on the impacts to the Salmon River.

7. Are the public involvement and interagency reviews associated with existing NEPA document(s) adequate for the current Proposed Action?

Prior analyses were done under the pre 2001 version of 43 CFR 3809 et seq., an environmental assessment and Documentation of NEPA Adequacy, none of which required public involvement. As with the prior authorizations, this authorization requires compliance with all applicable State and Federal laws.

E. Interdisciplinary Analysis:

F. Mitigation Measures:

In addition to the mitigation measures contained in the Annual Placer Mining Application, the mitigation measures developed under Environmental Assessment, AK-040-93-013 and its attendant Finding of No Significant Impact, dated January 27, 1994 are incorporated herein as if fully set forth.

Case File Nos.: AKAA 032117, AKAA 032118, AKAA 032119, AKAA 032120,

AKAA 032194, AKAA 032227, AKAA 032256, AKAA 032259,

AKAA 032260, AKAA 032262, AKAA 032263, AKAA 032264,

AKAA 032266, AKAA 032267.

Additionally, the surface management and site reclamation guidance and principles contained in the following publications, adapted for application in an Arctic or Sub-arctic environment, are applicable to mining operations:

- 1. United States Department of the Interior and United States Department of Agriculture. 2007. *Surface Operating Standards and Guidelines for Oil and Gas Exploration and Development*. BLM/WO/ST-06/021+3071. Bureau of Land Management. Denver Colorado. 84pp.
- 2. Draft Solid Minerals Reclamation Handbook: 2/9/2001. Bureau of Land Management. 136pp.

Second, the guidance and principles contained in the following publications, adapted for application in an Arctic or Sub-arctic environment, are applicable to placer mining operations:

- 1. *Placer Mining in Alaska: A Guide to Mitigation and Reclamation*, (Bureau of Land Management publication BLM-AK-GI-89021-3809-918);
- 2. McCulloch, R.B., Ihie, B., Ciliberti, V., Williams, M., 1993, *Montana Placer Mining BMPs (Best Management Practices): Guidelines for Planning, Erosion Control, and Reclamation*, Montana Bureau of Mines and Geology, Special Publication 106.

Third, in order to comply with the 1999 Executive Order (E.O.) No. 13112 for the prevention and management of invasive plants the following strategies and guidance must be followed during site reclamation:

- Operators must control and prevent noxious weed infestations of noxious weeds identified by Alaska State Statute 11 ACC 34.020 or other applicable lists as developed in the future.
- Where vehicles and transport equipment used in access and construction of the mine site have been used in areas with known noxious weed populations, the equipment should be thoroughly cleaned prior to moving this equipment across or onto BLM lands.
- If non-local native materials are used for site reclamation, those materials must be handled in accordance with BLM Manual Section 1745 (1992), and E.O.13112 on invasive species.
- All native seed procured from vendors must be tested for noxious weed seed and meet certified seed quality.

Fourth, buildings currently scheduled for demolition during the 2008 mining season include the Old Mess Hall and three additional buildings which are located just southeast of the Old Mess Hall. Information will be collected concerning these buildings' designs

Case File Nos.: AKAA 032117, AKAA 032118, AKAA 032119, AKAA 032120,

AKAA 032194, AKAA 032227, AKAA 032256, AKAA 032259,

AKAA 032260, AKAA 032262, AKAA 032263, AKAA 032264,

AKAA 032266, AKAA 032267.

and dimensions prior to destruction and the information will be supplied to the BLM Cultural Resource Specialist.

Finally, the owner of a mineral development will employ the best demonstrated and available technologies and best management practices for managing the health of the natural environment. All aspects of environmental management, including but not limited to air quality, surface water discharge management, acid drainage management, tailings management, short and long-term containment pond management, watershed management, site reclamation and the financing of such activities are the sole responsibility of the owner of a mineral development. A person of ordinary prudence should consider the financial costs associated with environmental management and restoration when contemplating the development of a mineral interest.

G. Conclusion

Based on the review documented above, I conclude that this proposal conforms to the applicable land use plan and that the NEPA documentation fully covers the Proposed Action and constitutes BLM's compliance with the requirements of NEPA.

/S/ Mike Zaidlicz Anchorage Field Manager May 14, 2008 Date